



## AGENDA ITEM: 9

### SUMMARY

<b>Report for:</b>	<b>Housing and Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>12 November 2014</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 2 2014/15</b>
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources James Deane, Assistant Director (Finance & Resources) Richard Baker, Group Manager (Financial Services)
Purpose of report:	To provide details of the projected outturn for 2014/15 as at Quarter 2 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> </ul>
Recommendations	That Committee note the forecast outturn position.
Corporate objectives:	Dacorum Delivers
Implications:	Financial and Value for Money implications are included within the body of the report.
Risk Implications	Risk implications are included within the body of the report.
Equalities Implications	There are no equality implications.
Health And Safety Implications	There are no health and safety implications.
Consultees:	Budget Managers.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

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## 1. Introduction

1.1 The purpose of this report is to outline the Council's forecast outturn for 2014/15 as at 30 September 2014. The report covers the following budgets:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme

## 2. General Fund Revenue Account

2.1 The General Fund revenue account records the income and expenditure associated with all Council functions except management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA) (see Section 4).

2.2 Appendix A separates expenditure into controllable and non-controllable categories in order to focus scrutiny on those controllable areas that officers are able to influence.

2.3 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges. These are required to show the true value of resources used to provide the Council's services, but do not result in a cash charge to taxpayers. As costs will not be known until year-end, the forecast outturn for all areas is shown as on budget.

2.4 The adjusted budget is the original budget approved by Cabinet in February 2014 plus the following approved amendments:

Amendments	£000	Approved
<b>2014/15 Original budget</b>	<b>19,416</b>	
Community Sport Activation Fund	22	Council November 2013
Replacement Street Name Plates	40	Council February 2014
Graduate Development Programme	36	Cabinet April 2014
Apprentices	68	Audit Committee June 2014
EDRMS	90	Audit Committee June 2014
Dacorum Sports Trust	100	Council July 2014
Category Management	75	Council July 2014
Garage Strategy	100	Council September 2014
Grant Funded Agency Costs	120	Council September 2014
Pensions Backfunding	(1,019)	Council September 2014
Reserve Funded Staff Costs	(15)	Council September 2014
Redunancy Costs	32	Council September 2014
Waste Services Implementation	219	Council September 2014
<b>2014/15 Current Budget</b>	<b>19,284</b>	

2.5 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

	Adjusted Budget £000	Projected Outturn £000	Variance	
			£000	%
Finance & Resources	11,570	11,828	258	2.2%
Strategic Planning & Environment	6,159	5,684	(475)	-7.7%
Housing & Communities	1,555	1,732	177	2.9%
<b>Total</b>	<b>19,284</b>	<b>19,244</b>	<b>(40)</b>	<b>-0.2%</b>

2.6 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

### 3 Housing and Community

Housing & Community	Controllable Budget £000	Projected Outturn £000	Forecast Variance	
			£000	%
Employees	3,193	3,243	50	1.6%
Premises	402	383	(20)	-4.8%
Transport	43	39	(4)	-9.3%
Supplies & Services	1,985	2,050	64	3.2%
Third Parties	25	25	0	0.0%
Income	(4,094)	(4,007)	87	-2.1%
	<b>1,555</b>	<b>1,732</b>	<b>177</b>	<b>11.4%</b>

#### 3.1 Employees - £50k over budget (1.6%)

Pressure £50k - A pressure of £30k across services is projected linked to the vacancy provision. This target is set at 5% of direct salary costs for 2014/15. This position will continue to be monitored. In addition, a redundancy payment of £20k has been made.

#### 3.2 Supplies & Services - £64k over budget (3.2%)

Pressure £102k - There is a projected overspend on garages. Of this, £46k relates to contractual spend on planned repairs, entered into during 2013/14 but not completed within the financial year. A further £56k relates to spend on the options appraisal of garage sites.

Underspend £20k - The cessation of the clinical commercial waste service has generated savings partly offsetting the loss in income.

### **3.3 Income - £87k under budget (1.1%)**

Pressure £44k - Clinical commercial waste collections have ceased during the first quarter of this year, resulting in a loss of income. This was part of a wider initiative to focus operations on higher revenue generating streams over the longer term within Environmental Health – namely Pest Control which has implemented a charging policy. Growth in this service is expected to yield significantly increased income over the coming years.

Pressure £50k - A grant budgeted within the homelessness service now forms parts of the local government settlement and is rolled into the Revenue Support Grant, so will cause a variance within service income.

## **4 Housing Revenue Account (HRA)**

4.1 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The forecast outturn position for the HRA is shown at Appendix B.

4.2 The projected HRA balance at the end of 2014/15 is £3.72m. The forecast operating surplus is £994k – an increase of £755k compared to the surplus of £239k originally budgeted. Significant variances are as follows:

### **4.3 Dwelling Rents - £249K surplus (0.5%)**

Surplus income has been generated due to a number of tenants moving to target rent when a new tenancy has started. In addition, the average rent loss for right to buy sales is lower than forecast when setting the budget.

### **4.4 Interest and Investment Income - £34K surplus (34%)**

Higher capital balances due to lower capital expenditure are forecast to generate additional investment income.

### **4.5 Contribution towards expenditure - £154K surplus (33.5%)**

Repairs carried out at leasehold properties (such as lifts and communal entry systems) are recharged to leaseholders on an arrears basis based on the actual amount spent. The surplus has arisen as the amount of income anticipated was under-budgeted.

### **4.6 Repairs and Maintenance – £180K over budget (1.4%)**

There is a projected pressure on the drainage budget of £180K. This continuing trend from previous years suggests that this pressure reflects an underestimation of budget requirement rather than an increase in drainage works.

#### 4.7 Supervision and Management – £504k under budget (3.2%)

The expected underspend relates to:

- Underspend £210k – A one off pension back-funding payment was made in 2013/14 as part of the triennial review. This had originally been budgeted for payment in 2014/15.
- Underspend £100k - Generated from the implementation of energy efficiency projects such as the installation of solar panels at flats and LED lighting in communal areas.
- Underspend £80k - The number of voluntary moves due to the impact of the benefit welfare reforms have been lower than anticipated on the under occupation incentive scheme.
- Underspend £189k - Salaries are forecast to be underspent, £67k of which is due to vacancies within the service and £122k relates to the TUPE of staff to Osborne.
- Pressure £74k - Uninsured losses relating to insurance claims from tenants for damages to buildings, storm damage and water leaks. Based on historical data and the trend of overspends against this budget, it may need to be revised upwards for 2015/16.
- Pressure £30k - Some software maintenance costs were excluded from the budget on the assumption that there would be a reduction in the internal software requirements under the new Total Asset Management contract.

### 5 Capital Programme

5.1 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2015/16 rather than 2014/15, or conversely, where expenditure planned initially for 2015/16 will now be in 2014/15.

The 'Variance' column refers to those projects which are now complete, but have come in under or over budget and those projects which are no longer required.

	Adjusted Budget £000	Projected Outturn £000	Rephasing £000	Variance	
				£000	%
Housing & Community	5,331	6,042	355	356	6.7%
<b>G F Total</b>	<b>5,331</b>	<b>6,042</b>	<b>355</b>	<b>356</b>	<b>6.7%</b>
<b>HRA Total</b>	<b>35,050</b>	<b>31,113</b>	<b>(2,776)</b>	<b>(1,161)</b>	<b>-3.3%</b>

## 5.2 General Fund Major Variances

As at Quarter 2 there is an overall projected pressure of £711k on the General Fund capital programme. This is a combination of overspending of £356k, and re-phasing of budgets from future year allocations into 2014/15 of £355k.

The projected net overspend of £356k is comprised of:

- Pressure £350k (line 102) - Additional areas for filling have been identified on the Highbarns Land Stabilisation project, and it is anticipated that after these works a certificate for completion can be provided to the Council. A report was taken to Cabinet on 21 October 2014 to recommend a Supplementary Estimate be approved by Council.
- Underspend £80k (line 119) – Budget on the Hemel Hempstead Gym Refurbishment was incorrectly slipped forward from 2013/14 after project completion.
- Pressure £110k (line 130) - Old Town Hall refurbishment costs are higher than budgeted due to tendered prices, reflecting an upturn in the construction market since the budget was set. The works were also more complex than planned (the tunnelling for example cost £30k more than budgeted).

The projected re-phasing of £355k from future years includes:

- £100k slippage (line 132) on youth centre provision. Options for this project are still being considered, so work will not be undertaken during 2014/15.

These are off-set by pressures requiring funding to be brought forward from the future budget allocations approved for these projects:

- Pressure £55k (line 131) – The works undertaken on the Verge hardening project are moving at a faster rate than forecast in the Capital Programme, and budget will need to be brought forward from 2015/16.
- Pressure £431k (line 138) – The tender price for the Elms Hostel development at Redbourn Road was higher than budgeted (£300k). In addition the refinement of fixtures and fittings specifications has generated an in year pressure.

## 5.3 Housing Revenue Account Major Variances

There is a projected underspend on the HRA capital program of £1.161m. This includes:

- Underspend £830k (lines 196-199) - The strategic acquisitions allocation for the transfer of the Point between the General Fund and HRA is no longer required as provision for this transaction will be made as an accounting adjustment through financing section of the capital programme.
- Underspend £331k (line 191) – The tender price for new build at Farm Place Berkhamsted was lower than budgeted.

Projected re-phasing of £2.776m to future years includes:

- £2.776m slippage due to delays on the New Build scheme at London Road. Construction works have been delayed due to difficulties relocating the substation during the initial phase of the scheme. Works are due to commence in October.